



## Osgoode Hall Law Journal

*Volume 52, Issue 2 (Winter 2015)*

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Article 19

# Homeownership and America's Financial Underclass: Flawed Premises, Broken Promises, New Prescriptions, by Mechele Dickerson

Jonathan York

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### Citation Information

York, Jonathan. "Homeownership and America's Financial Underclass: Flawed Premises, Broken Promises, New Prescriptions, by Mechele Dickerson." *Osgoode Hall Law Journal* 52.2 (2015) : 689-691.  
<http://digitalcommons.osgoode.yorku.ca/ohlj/vol52/iss2/19>

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## Book Note

## HOMEOWNERSHIP AND AMERICA'S FINANCIAL UNDERCLASS: FLAWED PREMISES, BROKEN PROMISES, NEW PRESCRIPTIONS, by Mechele Dickerson<sup>1</sup>

JONATHAN YORK

HOMEOWNERSHIP HAS TRADITIONALLY BEEN a major goal for Americans seeking financial prosperity and success. It is considered to be the lynchpin of the lifelong pursuit of the "American Dream." People grow up with cliché visions of having a young, happy family living in a home with a recently paid off mortgage and a white picket fence. Fully paying off a mortgage can be one of the happiest and most rewarding moments of one's life. However, Mechele Dickerson emphasizes that perhaps the pursuit of homeownership is not always sound advice for a large portion of the population.

Dickerson argues that US tax and housing policies are not constructed in ways that are beneficial to all Americans equally. Rather, while federal housing and lending policies are structured to promote homeownership, those in lower economic classes or those who are members of certain minority groups are often disadvantaged. Dickerson urges American policy makers to acknowledge that certain housing and tax policies need to be revised in order to better relate to the broader population, who are not all high-income earners.

The book is divided into eleven chapters, which effectively lead the reader through the positive and negative aspects of homeownership in the United States.

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1. (New York: Cambridge University Press, 2014) 284 pages.

In chapter one, Dickerson explains that homeownership continues to be promoted strongly through US housing policies,<sup>2</sup> tax incentives,<sup>3</sup> and zoning laws.<sup>4</sup> In this opening chapter, Dickerson asserts that although there are social and financial benefits to homeownership,<sup>5</sup> “[h]omeowners and renters of all races and income groups continue to believe that owning a home is the safest long-term investment that they can make.”<sup>6</sup> However, those who cannot properly afford to mortgage their homes with the goal of future ownership end up suffering long-term financial consequences. In fact, “of approximately 45 million outstanding mortgages in 2011, more than 12 million were underwater.”<sup>7</sup>

Chapter two discusses the myths and pre-conceived notions associated with homeownership, which the author refers to as the “Happy Homeownership Narrative.”<sup>8</sup> In chapter three, Dickerson explains how US policy makers have structured housing and tax incentive policies to increase the attractiveness of homeownership.

Chapters four, five, and six outline the flaws, challenges, and difficulties associated with homeownership. In particular, Dickerson emphasizes that those who do not have sufficient savings plans or who lack dependable employment income are not going to be able to benefit properly from homeownership. Specifically, she mentions that “skyrocketing prices”<sup>9</sup> make homeownership largely unattainable for low- and moderate-income Americans. She also cites the increasing disparity between the rich and the poor as a reason for why it is challenging to obtain full homeownership for certain large groups of the population.

Chapters seven and eight discuss the differences between buying a home depending on one’s race or income level. Dickerson explains that these differences stem from previous—and outdated—racially discriminatory housing policies, which were used to help “perpetuate segregated housing patterns.”<sup>10</sup> In chapter nine, Dickerson recognizes that it remains difficult to break these trends because of the disparity in access to high-quality schooling, which is a direct result of the location of homes. Higher-income individuals are typically willing to spend

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2. *Ibid* at 2.

3. *Ibid* at 3.

4. *Ibid* at 5.

5. *Ibid* at 4.

6. *Ibid* at 1.

7. *Ibid* at 11.

8. *Ibid* at 19.

9. *Ibid* at 67.

10. *Ibid* at 150.

extra money on their home in order to be closer to higher-quality schools for their children.

Chapter ten examines the impact of income disparity on the ability to benefit from the “Happy Homeownership Narrative.” Dickerson uses metrics such as employment rates in the labour markets and credit scores to explain why African-Americans, Latinos, and low- and moderate-income groups have historically struggled to reap the intended benefits of homeownership.

In chapter eleven, Dickerson concludes her analysis of the concerns related to homeownership with a few suggestions for US policy makers. Dickerson proposes several new policies to help curb failed homeownerships. For example, Dickerson is concerned about keeping some current federal tax laws that may encourage “reckless borrowing”<sup>11</sup> by allowing homeowners to deduct interest on “exotic”<sup>12</sup> mortgages.

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11. *Ibid* at 262.

12. *Ibid*.